

## Message Text

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22

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02

PRS-01 /118 W

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R 181830Z FEB 76

FM AMCONSUL ST JOHNS

TO SECSTATE WASHDC 1341

INFO AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY TOKYO

UNCLAS STJOHNS 00048

E.O. 11652 N/A

TAGS ECEM EFIN ENRG CA UK JA

SUBJECT COME BY CHANCE REFINERY: NAME-CALLING AND

LAWSUITS

REF STJOHNS 046

1. BATTLE OF INVECTIVE IS RAGING BETWEEN US PROMOTER JOHN SHAHEEN AND HIS NEWFOUNDLAND CRONY, JOEY SMALLWOOD, ON ONE HAND, AND NFLD MINES AND ENERGY MINISTER JOHN CROSBIE ON THE OTHER. SHAHEEN AND SMALLWOOD ARE ALLEGING THAT CROSBIE, FOR REASONS BEST KNOWN TO HIMSELF, IS CONNIVING TO DESTROY COME BY CHANCE REFINERY. CROSBIE IS ALLEGED TO HAVE BLOCKED ATAKA'S EFFORTS TO OBTAIN A MORTGAGE ON THE REFINERY AND HIS STATEMENTS TO CONTRARY WERE DUBBED (EVEN BEFORE THEY WERE MADE) AS MALICIOUS FABRICATIONS, LIBELOUS, SLANDEROUS, VENOMOUS, AND MENDACIOUS. IN ADDITION, SHAHEEN IS QUOTED IN PRESS AS SAYING HE IS "GOING TO SUE THE TAIL OFF" CROSBIE AND THAT HE IS TAKING DOWN EVERYTHING CROSBIE HAS SAID ABOUT REFINERY IN RECENT DAYS.

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2. "TO HELL WITH SHAHEEN, AND TO HELL WITH HIS LAWYERS", CROSBIE REPLIED BEFORE THE TV CAMERAS. "I LOOK FORWARD TO THEIR SUIT...SO WE'LL GET HIM BEFORE THE SUPREME COURT OF NEWFOUNDLAND WHERE HE'S ON OATH TO SPEAK THE TRUTH." NOTING THAT SHAHEEN IS MAKING HIS PITCH TO THE PUBLIC IN PART THROUGH SMALLWOOD'S MOUTH, CROSBIE CALLED SHAHEEN THE EDGAR BERGEN TO SMALLWOOD'S CHARLIE MCCARTHY.

3. THE DOLS 189 MILLION LAWSUIT FOR DEFECTIVE EQUIPMENT SUPPLIED BY PROCON (GREAT BRITAIN) LTD HAS BEEN FILED AGAINST PROCON S PARENT COMPANY, UOP INC OF CHICAGO, IN NY STATE SUPREME COURT. SHAHEEN CLAIMS THAT PROVISO IN PROCON'S CONTRACT WHICH LIMITS LIABILITY TO DOLS 500,000 DOES NOT APPLY IN EVENT OF MISREPRESENTATION, GROSS NEGLIGENCE, OR INTENTIONAL MALFEASANCE. "ALL THREE ARE PRESENT," HE CLAIMS.

4. NOTEWORTHY AMONG ALLEGATIONS BEING BANDIED ABOUT ARE:

A. A CHARGE BY SHAHEEN'S LAWYER THAT MORGAN, STANLEY, THE FINANCIAL ADVISORS WHO ADVISED ATAKA TO SEEK INTERIM RECEIVERSHIP, WERE ACTING IN THE INTERESTS OF MAJOR US OIL COMPANIES WHO ARE OUT TO DESTROY SHAHEEN. CROSBIE POINTED OUT THAT MORGAN, STANLEY IS ONE OF THE LARGEST AND MOST REPUTABLE FIRMS OF ITS TYPE IN THE UNITED STATES AND THAT IS WAS INCONCEIVABLE THAT IT WOULD ACT AGAINST ITS CLIENT'S INTERESTS. HE ALSO STATED THAT SHAHEEN HAS BEEN CLAIMING FOR YEARS THAT MAJOR OIL COMPANIES ARE OUT TO DESTROY HIM BUT THAT HE (CROSBIE) DID NOT KNOW ON WHAT BASIS THIS STATEMENT MADE. CROSBIE'S IMPLICATION SEEMED TO BE THAT MAJOR OIL COMPANIES ARE HARDLY EVEN AWARE OF SHAHEEN S EXISTENCE.

B. CROSBIE'S STATEMENT THAT TOTAL DEBTS OF REFINERY ARE ABOUT DOLS 600 MILLION, WITH STEADY MONTHLY LOSSES OF APPROX DOLS 10-12 MILLION--DOLS 192 MILLION TO DATE. SHAHEEN HAS BEEN ASKED BY PRESS TO CONFIRM THESE FIGURES BUT HAS NOT DONE SO. NEITHER HAS HE DENIED THEM. HIS REPLY SUGGESTED THAT FIGURES UNAVAILABLE SINCE PRESS INTERVIEW WAS AFTER OFFICE HOURS. NEWFOUNDLAND REFINING UNCLASSIFIED

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COMPANY PRESIDENT HOMER WHITE, HOWEVER, MERELY SAID HE "DIDN T WANT TO GET INTO THE NUMBERS GAME" WHEN HE WAS ASKED ABOUT THE REFINERY S DEBT.

5. COMMENT: ATAKA AND ECGD ARE SAYING VERY LITTLE, EVEN THOUGH THEY ARE IN POSITIONS TO CONFIRM OR DENY MANY OF THE CHARGES AND COUNTER-CHARGES BEING MADE ABOUT COME BY CHANCE. THEIR RETICENCE MIGHT WELL BE TAKEN TO MEAN

THAT THE GRIM PICTURE UNFOLDED BY CROSBIE REFLECTS THE TRUE STATE OF AFFAIRS BUT THAT, AS PRINCIPAL UNSECURED AND SECURED CREDITORS, ATKA AND ECGD WANT TO AVOID SAYING ANYTHING THAT MIGHT SCARE OFF PROSPECTIVE BUYERS OR PARTNERS. CERTAINLY CROSBIE IS GENERALLY CONSIDERED TO HAVE A FAR BETTER TRACK RECORD FOR CANDOR THAN DO THOSE WHO ARE ATTACKING HIM.

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